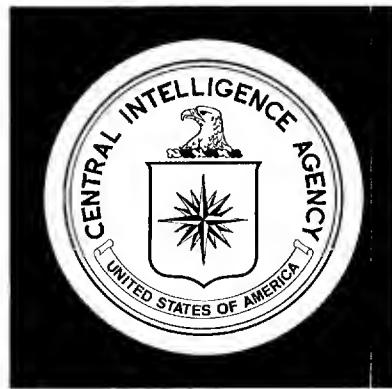


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# Central Intelligence Bulletin

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January 26, 1974

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WEST EUROPEAN COMMUNIST PARTIES: The underlying problem of relations with Moscow will overshadow discussion of other issues at the conference of West European communist parties, opening today in Brussels.

The Italian Communists have done most of the spadework for the meeting. They hope the conference will produce a coordinated strategy, independent of the Soviets if necessary, on a broad range of West European economic, social, and political issues. The parties have held a series of preparatory meetings over the last four months to discuss problems such as communist relations with the EC, emigrant labor, trade union strategy, and policy toward dissident intellectuals.

The Soviets have kept an eye on all these meetings and are particularly concerned over the Italians' intention to air fully the question of Soviet policy toward dissidents. After the last preparatory session the Italian, French, Swiss, and Spanish parties said they were "hostile" to Moscow's suppression of Solzhenitsyn's works, although they did not agree with the author's criticism of the Soviet system. Moscow reportedly is working through the Austrian Communist Party to keep the Solzhenitsyn issue off the Brussels agenda or, if unable to prevent discussion of it, to work out a compromise that would minimize adverse publicity.

One key to the outcome of the conference will be the role adopted by the French Communist Party. Although the French acted as a brake on the Italians during the preparatory stage, they have recently moved closer to the Italian position on European issues and advocate, for example, the development of means by which to exert concerted pressure on the EC. This stand and the party's qualified criticism of Moscow's handling of the Solzhenitsyn affair do not, however, reflect serious differences with the Soviets. The French party is probably aiming for a middle ground, remaining generally loyal to Moscow while trying to stay on good terms with its French

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Socialist allies who take a more positive approach to the EC and sharply criticize Soviet policy toward dissidents.

Differences among the Western parties and indirect pressure from Moscow will probably keep the conference from producing the clear and independent statement on European issues desired by the Italians. It is also unlikely that the conference will come out with a declaration affirming the pre-eminence of Moscow in the international movement or a statement supporting Moscow against Peking.

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NETHERLANDS: The Arab oil embargo against the Netherlands does not appear to be wholly effective.

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Netherland's oil situation is not as severe as the government had anticipated, and yesterday the Hague announced that gasoline rationing would be terminated on February 4. Government conservation measures, slower economic growth, and consumer resistance to higher oil prices in Western Europe are curtailing demand. In fact, West European spot prices for petroleum products have been falling in recent weeks, despite the continued Arab embargo against the Netherlands and the continued production cutback.

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WEST GERMANY - POLAND: West German optimism over the prospects of a quick resolution of bilateral differences with Poland was dampened this week when German-Polish credit talks ended in a stalemate.

The Poles reportedly demanded that Bonn raise its offer of long-term credits to "compensate the victims of the concentration camps." The Germans, however, balked at going higher than their original offer of about \$400 million. Preliminary press reports of the negotiations, while somewhat pessimistic, indicate both sides intend to meet again, but no date or place was set. The two negotiating teams are currently consulting with their governments to map out new strategy.

In earlier talks the Poles expressed a desire for a credit of approximately \$1.2 billion, a proposal that Bonn turned down. Warsaw has considerable leverage, however, by virtue of the large number of ethnic Germans within its borders, and Bonn's strong desire to get Poland to let them emigrate to the Federal Republic.

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AUSTRALIA-IRAN: Following the lead of several of the big industrial countries, Canberra has offered Iran a long-term trade agreement with a view to securing a source of heavy crude oil imports. The agreement, proposed earlier this week by an Australian trade delegation in Iran, would provide for the exchange of Australian meat and grain for Iranian oil over a 20-year period.

Domestic oil production is sufficient to meet the bulk of Australia's light fuel requirements, but virtually all of its heavy crudes must be imported. Iran currently provides less than 5 percent of Australia's oil imports.

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LATIN AMERICA: In an effort to attract more foreign investment, the representatives of the six Andean Common Market members will meet next month to review the Andean Investment Code. The Code sets guidelines restricting the role of capital, particularly in the manufacturing industries. Most member governments have become increasingly disturbed by the lack of new foreign investment since the institution of the Code in December 1970.

Although the Code is not fully in effect in any country, demand for change is coming from a number of quarters, most importantly Chile. In contrast to the discouragement given foreign investors by the Allende regime, the junta is seeking to attract foreign capital. Secondly, businessmen in Venezuela--which entered the Andean Common Market last December--would like to revise the Code to avoid having to buy out foreign investors. Finally, financial officials of the member countries--Bolivia in particular--now recognize that the strict rules about foreign ownership are hindering the inflow of badly needed foreign capital.

Any changes in the rules will take some time to work out, however. Peru, which has rigid investment rules of its own, is against any revisions in the Code and will be difficult to deal with. Even those who are anxious for change in the investment code want to be sure that the changes will be carefully thought out so they will remain viable for a long time and create greater solidarity within the group.

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Turkey: Prime Minister - designate Bulet Ecevit has received President Koruturk's "oral approval" of a cabinet list composed of members of Ecevit's Republican People's Party and the National Salvation Party. The defense, foreign, and finance portfolios went to the left-of-center RPP; the Interior Ministry was allotted to the NSP, whose leader becomes deputy prime minister.

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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